

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L EC BRUSSELS 5216

PASS TREASURY AND EXIMBANK

E.O. 11652: ADS "DECLASSIFY ON JAN 1, 1978"

TAGS: EFIN, EEC

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT -- RESULTS OF
EC WORKING GROUP MEETING

REFS: A. EC BRUSSELS 4416

B. EC BRUSSELS 4312

1. SUMMARY: AN EC WORKING GROUP COULD NOT RESOLVE THE FRENCH OBJECTIONS TO THE FRG COMPROMISE PROPOSAL FOR AN EXPORT CREDIT GENTLEMEN'S AGREEMENT. OVER THE NEXT TWO WEEKS VARIOUS MEMBER STATES PLAN TO UNDERTAKE BILATERAL CONTACTS, INCLUDING A POSSIBLE TRIP TO THE US BY A UK REPRESENTATIVE, TO OVERCOME THE CURRENT IMPASSE. THE EC, CONSEQUENTLY, IS NOT YET PREPARED TO HOLD ANOTHER PRINCIPAL'S MEETING. END SUMMARY.

2. THE EC WORKING GROUP ON EXPORT CREDITS MET ON JUNE 5-6 TO DISCUSS THE EXPORT CREDIT GENTLEMEN'S AGREEMENT. ALL THE MEMBER STATES WERE PREPARED TO ACCEPT THE FRG COMPROMISE PROPOSAL (SEE REF B) EXCEPT THE FRENCH. THE GOF INSTEAD SUGGESTED A PACKAGE WHICH WOULD MAINTAIN MINIMUM INTEREST RATES
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AT 7.5 PERCENT, CHANGE THE RATE SCHEDULE FOR LONGER

TERM PROJECTS, LIMIT THE MAXIMUM MATURITY PERIOD TO 12 YEARS AND ACCEPT A MINIMUM 15 PERCENT GRANT ELEMENT FOR MIXED CREDITS. THE FRENCH ALSO WANTED AN EXCEPTION TO THE MINIMUM INTEREST RATE FOR SELECTED CREDITS OF 2-5 YEAR MATURITIES. THE OTHER MEMBER STATES REJECTED THIS PACKAGE AND DECIDED TO MEET AGAIN ON JUNE 18-19 TO ATTEMPT AGAIN TO WORK OUT A COMPROMISE.

3. SUBSEQUENT TO THE MEETING, THE FRG, UK AND COMMISSION DELEGATES DISCUSSED THE FOLLOWING STEPS TO BREAK THE DEADLOCK. BILATERAL CONTACTS WOULD BE PURSUED IN UPCOMING INTERNATIONAL MEETINGS TO SEEK A COMPROMISE. THE FRG WOULD CONTINUE ITS CONTACTS WITH FRENCH FINANCE MINISTER FOURCADE AND TREASURY UNDER SECRETARY BENNETT. DERECK SMITH, UK UNDER SECRETARY, EXPORTS CREDITS GUARANTEE DEPARTMENT, WILL PROPOSE A TRIP TO WASHINGTON TO DISCUSS A NUMBER OF OUTSTANDING PROBLEMS. THESE INCLUDE : (1) PLACING A MAXIMUM LIMIT ON MATURITIES OF 12 YEARS, OR AT LEAST NARROWINGLY DEFINING EXCEPTIONS TO SUCH A LIMIT; (2) CLARIFYING THE US POSITION TOWARD THE TERMS OF THE OECD SHIP AGREEMENT; (E) DETERMINING THE COVERAGE OF US AGRICULTURAL CREDITIS UNDER THE GENTLEMEN'S AGREEMENT; (4) DECIDING HOW TO WORK OUT OUTSTANDING DEFINITIONAL PROBLEMS; (MRS. ARCHIBALD OF THE COMMISSION SUGGESTS ORGANIZING A SMALL WORKING GROUP TO LOOK INTO THIS); AND (5) ESTABLISHING THE ADMINISTRATIVE MACHINERY TO HANDLE CONSULTATIONS; (MRS. ARCHIBALD SAYS THE EC COUNCIL SECRETARIAT COULD BE USED, AT LEAST FOR THE INTERIM PERIOD UNTIL ALL OECD MEMBERS HAVE HAD THE OPPORTUNITY TO ADHERE TO THE AGREEMENT). SMITH IS CONSIDERING VISITING WASHINGTON THE WEEK OF JUNE 16.

4. IF THE FRENCH INTRANSIGENCE CANNOT BE OVERCOME, MRS. ARCHIBALD BELIEVES THE ONLY ALTERNATIVE MAY BE TO CONSIDER AN AGREEMENT WITHOUT FRANCE. SHE CONCEDES THAT SUCH AN ARRANGEMENT WOULD BE CONFIDENTIAL

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POLITICALLY DIFFICULT BECAUSE OF THE COMMUNITY'S DESIRE TO MAINTAIN ITS SOLIDARITY, AND WOULD ONLY BE UNDERTAKEN AS A LAST RECOURSE. BECAUSE OF THE SENSITIVE NATURE OF SUCH A POSSIBILITY, MRS ARCHIBALD SAYS THAT THE UK RATHER THAN THE COMMISSION, IS MAKING THE BILATERAL CONTACTS WITH THE US.

5. A JAPANESE MISSION OFFICER (FUJITA) CALLED US

TO INDICATE THAT GOJ'S MINISTRY OF FINANCE WOULD LIKE
TO HAVE THENEXT PRINCIPAL'S MEETING BEFORE JULY 1.
MOST OF THE JAPANESE OFFICIALS WHO HAVE BEEN WORKING
ON THE GENTLEMEN'S AGREEMENT WILL SHORTLY BE
TRANSFERRED TO OTHER POSITIONS. THUS, IN ORDER TO
AVOID A DELAY WHILE NEW OFFICIALS BRIEF THEMSELVES,
THE FINANCE MINISTRY WOULD PEFER TO GO AHEAD WITH
NEGOTIATIONS THIS MONTH. FUJITA ADDED THAT THE GOJ
MIGHT GO ALONG WITH THE FRG'S COMPROMISE PROPOSAL ON
MINIMUM INTEREST RATES SHOULD THE FRENCH LIFT THEIR
OBJECTION TO IT. GREENWALD

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